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FOR WHA/FO THOMAS SHANNON AND CHRISTOPHER MCMULLEN WHA/AND
ARNOLD CHACON, AID/LAC/AA PAUL BONICELLI, TULLY CONICK,
JOSE CARDENAS, AND DAN BATLLE, LAC/SA JEFFREY BAKKEN,
LAC/SPO CARL DERRICK

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TAGS: [BL](#) [EAID](#)
SUBJECT: BOLIVIA DEMANDS USAID PORTFOLIO REVIEW

REF: LA PAZ 677

Classified By: Ambassador Philip S. Goldberg for reasons 1.4 (b) and (d).

11. (C) SUMMARY: Against a tense political backdrop and at the request of the GOB, USAID and the GOB have initiated a hurried and dense review of USAID's portfolio, unprecedented in its level of detail. While we are making a sincere effort to be responsive to the steady stream of ad hoc and improvised information requests, we are also firmly maintaining that this is a bilateral process and that we cannot violate USG statutes, regulations, and policies. So far, the review covered USAID's Integrated Alternative Development program (the first of six programs), but much more work is required to see this through and we do not believe it will be possible to conclude the review of our entire portfolio in the 30 day period desired by the GOB. USAID is working closely with the Embassy to prepare for the final phase of the process, which the GOB has stated will culminate in recommendations to their Executive on modifying, ending or continuing USAID programs. We have emphasized that while ending programs can be done unilaterally (and could have serious implications across our portfolio) modifying or continuing USAID programs is a bilateral decision. The GOB is evidently reviewing other donor programs as well but we have only limited information on this. END SUMMARY

12. (C) At the recent and hurried request of the Government of Bolivia (GOB), USAID and the GOB have begun an unprecedented in-depth portfolio review of USAID programs (Note: USAID requested an annual portfolio review with the GOB on at least three occasions in 2007, but to no avail; the GOB canceled each time on short notice. End Note). The GOB's objective is to make joint recommendations to the Executive on which USAID programs should continue, end or be modified. The review process involves four steps: (1) program overview presented by USAID technical team; (2) more detailed presentation of specific program activities by USAID implementing partners; (3) site visits to view projects in the field and speak with beneficiaries; and (4) a negotiation phase to jointly determine modifications, close out or continuation of projects. The review comes during the run up to the May 4 referendum on Santa Cruz's autonomy statute, which is creating a series of significant political tensions here. (Note: The GOB has a habit of lashing out at others, including the USG and USAID, when the going gets tough on the political front. End Note).

13. (C) From the beginning the GOB has insisted the four-step review is a technical process, but we see a strong political element. While the titular head of the GOB's review commission is the Minister of Development Planning (a

respected technocrat), she kicked off the process and then promptly disappeared (we have since sent her a letter laying out our understanding of the process, in part to show that we still see her as leading this). The day-to-day review coordination lies with a lawyer from the Ministry of the Presidency, the ministry which led the very public and political anti-USAID campaign here. The review committee also includes members from technical ministries that work with USAID (Rural Development and Health) as well as a representative (at times) from the Vice Ministry of Public Investment and External Finance (part of the Ministry of Development Planning).

¶4. (C) So far, we have advanced considerably in the review of the Integrated Alternative Development (IAD) program. We have stated that we see this first program review as a way of piloting the process and working out kinks. The IAD review has been somewhat belabored and confusing, with the GOB defining in-depth information requests as we proceed. We are doing our best to be responsive while ensuring compliance with our rules, firmly maintaining that we will not be pushed as this is a bilateral program and review. We have provided the general overview of the IAD program; project partners have made their presentations; and visited projects in the Yungas municipality of Coroico.

¶5. (C) Early impressions include: the Minister of the Presidency's lawyer) while clearly an astute interlocutor with a good grasp of development programs and a growing appreciation for what we do and how we do it) seems to have a mandate to bring something back to the GOB through this process and this means we must advance with great caution; the GOB is in a hurry to obtain what for us is a lot of hard-to-gather information; we sense the lawyer is seeking more GOB leadership on these programs; he and his colleagues

have a deep interest in detailed cost information (presumably to tighten the Ministry of the Presidency's focus on the administrative versus investment costs of USAID projects, which the Minister of the Presidency falsely attacked us for in an August 2007 public presentation); the Ministry of Rural Development and its Vice Ministry of Coca and Integrated Development are using the process to directly control USAID funds (Note: in the past, we have offered to work with them to build their capacity to manage USG funds for a small initial pilot experience, explaining that such institution building is a prerequisite to managing USG funds and is a process that will take time and commitment on their part. End Note); and there are still important uncertainties on which we need clarification, especially regarding the final phase of the process, i.e. negotiation of program adjustments.

¶6. (C) With regard to this final, negotiation stage, we believe there will be a question as to whether we negotiate program adjustments at the end of the entire review process or after reviewing each program. We will insist on the former to ensure we can comply with US congressional reporting requirements and to maintain the mutually reinforcing elements of our program. As this process advances, USAID will continue to consult closely with the Embassy and Washington, as needed.

¶7. (U) The GOB is evidently also reviewing other donor programs although our knowledge of these is limited.

¶8. (C) COMMENT: On the one hand, this review process is long overdue and something USAID has sought, albeit not with such detail, for at least a year. Nor do we have anything to hide. In fact, we welcome the interest in our programs and well-intentioned suggestions for improvements that align with shared USG and GOB objectives. However, the workload burden, the unrealistically short time frames, and the ease with which this process could turn political are cause for concern. The big question is where this is all going in terms of continuing, modifying or closing out USAID programs, an exercise we will be fully engaged in during the coming weeks. We will continue to report as this process evolves.

END COMMENT
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